

Docket NO. 14-129

Shari E. Smith
Director
Public Policy

verizon

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April 1, 2014

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to
Kathy
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RE: Verizon Delaware 2014 Price Index Filing

As required by the Telecommunications Technology Investment Act ("TTIA") and Delaware Public Service Commission ("PSC") Rules and Regulations in Docket No. 41, Verizon Delaware LLC ("Verizon DE") is submitting its annual Price Index ("PI") filing.

With House Bill 96, which changed portions of Title 26, this year's PI filing only contains information relating to Switched Access Revenues because the only basic revenue stream that remains for Verizon DE relates to Switched Access Services. The 2014 PI calculations would permit xxxxxx to Switched Access revenues. However, under federal law Verizon DE is prohibited from increasing its intrastate Switched Access rates. For price cap carriers like Verizon DE, "[a]ll intercarrier switched access rate elements, including interstate and intrastate originating and terminating rates and reciprocal compensation rates are capped." *Connect America Fund; a National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers; Developing a Unified Intercarrier Compensation Regime, etc.*, WC Docket No. 10-90, etc., Report and Order and Further Notice of Proposed Rulemaking (Nov. 18, 2011) ¶ 801, Figure 9. In addition, DE Code Title 26, Chapter 1, Section 707(c) also states "A service provider may not increase switched access rates unless required to maintain parity with its interstate switched access rates." As a result, Verizon DE is not able to implement the rate increase permitted by the 2014 PI calculations at this time. Verizon DE will track the results of the 2014 PI calculation for future reference (with interest as specified in Docket No. 11).

The enclosed documents contain proprietary information. Verizon DE respectfully requests that the Commission protect this information accordingly.

Please charge Verizon DE the \$50 filing fee on the next assessment bill.

Please let me know if you have any questions.

Sincerely,



Attachments

cc: Division of the Public Advocate

VERIZON DELAWARE LLC

2014 Price Index Filing

Executive Overview

In accordance with the requirements of the Telecommunications Technology Investment Act ("TTIA") and Delaware Public Service Commission Rules and Regulations in Docket No. 41, Verizon Delaware LLC ("Verizon DE") is submitting its annual Price Index ("PI") filing. The PI calculations would permit xxxxxx in Switched Access revenue.

Exhibit 1 of this filing presents the Docket 41 PI formula, which consists of the annual percentage change in the Gross Domestic Product-Price Index ("GDP-PI"), and provisions for exogenous cost offsets. This year's filing does not include any exogenous cost adjustments.

Exhibit 2 displays the adjustment to Switched Access revenues for 2014.

Exhibit 3 reports the inflation index for the fourth quarter of 2012 and 2013.

VERIZON DELAWARE LLC

2014 Price Index Filing

Index of Filing Documents

Exhibit 1	PI Report
Exhibit 2	Adjustments to Revenues and Rates
Exhibit 3	Inflation Index

**Verizon Delaware LLC
2014 Price Index Filing**

PI REPORT

Docket No. 41 rules state that the Price Index ("PI") shall initially be set at 100 and shall be computed annually according to the following formula:

PI new = PI for current year

PI old = Calculated PI for previous year

delta GDPPI = percentage change in GDPPI (fixed weight) for most recent 12 month period

Z = combined positive and negative effect of exogenous changes measured as a percentage of previous year's revenue

2014 PI Calculation:

GDP Fixed-Weighted Price Index

Year-end 2012	105.9
Year-end 2013	107.4
Increase	<u>1.50</u>
% Increase	1.416%

PI old = (from last year's filing) 0.934

PI new = PI old x [1 + (delta GDPPI ± Z)]

PI new = 0.934 x [1+(1.416% +0%)]

PI new = 0.934 x [(1 +.0142)+0]

PI new = 0.934 x [1.0142]

PI new = 0.947

Adjustment Factor:

PI new / PI old = 1.014

**Verizon Delaware LLC
2014 Price Index Filing**

Adjustments to Revenues and Rates

Calculation of Net Revenue Change: (\$000)

1	PI Adjustment Factor	(From Exhibit 1)	1.014
2	Revenues - Basic Services (above cost) 2013		
3	Revenue adjusted for PI Adjustment Factor	Line 1 x Line 2	\$0
4	Revenue Change	Line 3 - Line 2	\$0

Revenue percentage by customer classification: (\$000)

5	Residence	\$0	
6	Business	\$0	
7	IXC		
		<hr/>	
		\$0	0%

2014 PI Revenue increase by customer classification: (\$000)

8	Residence	Line 4 x Line 5%	\$0
9	Business	Line 4 x Line 6%	\$0
10	IXC	Line 4 x Line 7%	\$0
11	Total		<hr/> \$0

To Be Banked

**Verizon Delaware LLC
2014 Price Index Filing**

Exhibit 3

Inflation Index

Last updated on
27-Mar-14

Fixed-Weighted Price Indexes

[Index numbers, 2005=100, seasonally adjusted at annual rates]

	2012				2013			
	I	II	III	IV	I	II	III	IV
Gross domestic product	104.4	104.9	105.6	105.9	106.2	106.4	106.9	107.4
Personal consumption expenditures	105.7	106.0	106.5	107.0	107.3	107.3	107.8	108.2
Gross domestic purchases	105.3	105.6	106.0	106.4	106.8	106.8	107.4	107.8
Gross national product	104.5	105.0	105.7	106.0	106.3	106.5	107.0	107.5

Source: Bureau of Economic Analysis, U. S. Department of Commerce

<http://www.bea.gov/national/supplementary.htm>

Fixed 2005-weighted price indexes

Tab: QtrIndex

VERIFICATION

I, Shari E. Smith, being duly sworn, state that I am Assistant Secretary of Verizon Delaware LLC, that I have read the foregoing documentation, and that the contents thereof are true and correct to the best of my knowledge, information and belief.

Shari E. Smith

Shari E. Smith

Subscribed and sworn to before me on this 31 day of March, 2014.

Deborah M. Adens

Notary Public for the State of Delaware



